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ALCATEL

August 9, 2002

VIA: Certified Mail

Mr. William Foley
184 Lamberts Dr.
Cohasset, MA 02025

RE: Claim for Severance Benefits

Dear Mr. Foley:

I am responding on behalf of the Plan Administrator. In your recent letter of July 17, 2002 to the Alcatel Plan Administrator, you filed a formal claim under the Alcatel USA, Inc. Severance Benefits Plan. You have claimed that you were eligible to participate in the Plan as a Director based on your title of Sales Director and that this should have entitled you to receive a severance payment equal to twenty-six weeks' rather than one and one-half weeks' pay per year of completed service. Attached for your reference is a copy of the Alcatel USA, Inc. Severance Benefits Plan, as amended and restated January 7, 2002 ("the Plan"). This is the Severance Benefits Plan which was in effect at the time you were laid off.

Section 4.2 of the Plan provides a severance payment for non-Director/ non-Vice President level positions of one and one-half weeks' of standard base pay per completed year of service. For employees with the job level of Director, Senior Director or Assistant Vice President, the Severance Plan provides a minimum payment of twenty-six weeks of regular base pay if the employee signs and returns a Confidential Severance Agreement and General Release ("the Agreement").

You were employed in a sales position with a job title of "Sales Director". However, your job level was not that of a Director. Your job level, as classified by the Alcatel job level system, was an exempt individual contributor. The distinction between individual contributor and manager is the placement of "Director" or "Manager". Director, Manager or VP at the beginning of a title classifies you as a member of management. These same titles when placed at the end of the title classify you as an individual contributor. For business reasons and customer contacts, it is important to include these distinctions in the title, without the management responsibility. This is a common practice in other companies.

In addition, there are management positions which do not rise to the level of Director or Vice President, so even if you were a "manager" you would still not be entitled to a higher minimum severance payment. The level of severance benefits communicated to you on May 21, 2002 is appropriate. Therefore, your claim for twenty-six weeks of base pay severance benefits under the Severance Plan is denied based on the requirements of Section 4.2 of the Plan. Specifically, you were in a non-Director / non-Vice President level position at the time of layoff. Again, in order to receive any severance payment in any job level, you have to sign the Agreement.

Under the terms of the Plan, you can appeal the disposition of this claim in accordance with Section 5.4.

Sincerely,

A handwritten signature in black ink that reads "Toby Todd". The signature is written in a cursive, slightly stylized font.

Toby Todd
Director, Corporate Benefits
Alcatel USA

cc: Julie Liptak, VP Human Resources – Raleigh
Megan Donovan – Alcatel USA Legal Counsel

enclosure